

UNITED STATES OF AMERICA
 NUCLEAR REGULATORY COMMISSION

In the Matter of)	
)	
ARKANSAS POWER & LIGHT COMPANY)	
)	Docket Nos. 50-313
)	50-368
(Arkansas Nuclear One, Units 1 and 2))	

APPLICATION TO AMEND FACILITY
OPERATING LICENSE NOS. DPR-51 AND NPF-6

Arkansas Power & Light Company (AP&L) is the holder of Facility Operating License No. DPR-51 for Arkansas Nuclear One, Unit 1, and Operating License No. NPF-6 for Arkansas Nuclear One, Unit 2. The operating licenses presently authorize AP&L to possess, use and operate Arkansas Nuclear One, Units 1 and 2 (ANO-1 and ANO-2) in accordance with the terms and conditions of these licenses.

AP&L is a wholly-owned subsidiary of Middle South Utilities, Inc. (MSU). MSU also owns the common stock of Louisiana Power & Light (LP&L), which is licensed by the Nuclear Regulatory Commission (NRC) to possess, use and operate the Waterford Steam Electric Station, Unit No. 3 (Waterford 3), and System Energy

Resources, Inc. (SERI), which is licensed to possess, use and operate Grand Gulf Nuclear Station (GGNS), Unit 1 and to construct GGNS, Unit 2.

MSU now plans for SERI to become its system-wide nuclear operating company. As such, SERI, in addition to operating GGNS, Unit 1, would assume operating responsibility for -- but not ownership of -- ANO-1, ANO-2 and Waterford 3. This assumption of operating responsibility will be accomplished by operating agreements between AP&L and SERI, and between LP&L and SERI, each designating SERI as its agent and authorizing SERI to operate its plant or plants. The assumption of operating responsibility by SERI for ANO-1, ANO-2 and Waterford 3 will not impact existing plant ownership or entitlements to capacity and energy.

Upon receipt of necessary regulatory approvals and transfer to SERI of AP&L nuclear operational personnel, SERI will succeed AP&L as operator of ANO-1 and ANO-2. This amendment application requests that the NRC amend Operating License Nos. DPR-51 and NPF-6 to authorize and reflect in the licenses the change from AP&L to SERI as the licensee authorized to possess, use and operate ANO-1 and ANO-2.¹

Specifically, pursuant to 10 C.F.R. § 50.90, the Licensee hereby requests that the NRC amend Operating License No. DPR-51 to change the name of the licensee for ANO-1, such that:

1 The proposed changes to the ANO-1 and ANO-2 Operating Licenses to reflect the establishment of SERI as the licensee responsible for the operation and licensing of ANO-1 and ANO-2 are included in Attachments 1 and 2. Other than submittals currently pending NRC approval, this amendment application involves no additional changes to the Technical Specifications for either unit.

- (1) SERI, pursuant to section 104b of the Atomic Energy Act of 1954, as amended (the "Act"), and 10 C.F.R. Part 50, "Licensing of Production and Utilization Facilities," is licensed to possess, use and operate ANO-1, at the designated location in Pope County, Arkansas, in accordance with the procedures and limitations set forth in the License;
- (2) AP&L, pursuant to the Act and 10 C.F.R. Part 50, is licensed to possess ANO-1 at the designated location in Pope County, Arkansas, in accordance with the procedures and limitations set forth in the License;
- (3) SERI, pursuant to the Act and 10 C.F.R. Part 70, is licensed to receive, possess and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the Final Safety Analysis Report, as supplemented and amended;
- (4) SERI, pursuant to the Act and 10 C.F.R. Parts 30, 40 and 70, is licensed to receive, possess and use at any time any byproduct, source and special nuclear material as sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment calibration, and as fission detectors in amounts as required;

- (5) SERI, pursuant to the Act and 10 C.F.R. Parts 30, 40 and 70, is licensed to receive, possess and use in amounts as required any by-product, source or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components; and
- (6) SERI, pursuant to the Act and 10 C.F.R. Parts 30 and 70, is licensed to possess, but not separate, such byproduct and special nuclear materials as may be produced by the operation of ANO-1.

Further, the Licensee hereby requests that the NRC amend Operating License No. NPF-6 to change the name of the licensee for ANO-2, such that:

- (1) SERI, pursuant to Section 103 of the Act, as amended, and 10 C.F.R. Part 50, "Licensing of Production and Utilization Facilities," is licensed to possess, use and operate ANO-2, at the designated location in Pope County, Arkansas, in accordance with the procedures and limitations set forth in the License;
- (2) AP&L, pursuant to the Act and 10 C.F.R. Part 50, is licensed to possess ANO-2 at the designated location in Pope County, Arkansas, in accordance with the procedures and limitations set forth in the License;

- (3) SERI, pursuant to the Act and 10 C.F.R. Part 70, is licensed to receive, possess and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the Final Safety Analysis Report, as supplemented and amended;
- (4) SERI, pursuant to the Act and 10 C.F.R. Parts 30, 40 and 70, is licensed to receive, possess, and use at any time any by-product, source and special nuclear material as sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment calibration, and as fission detectors in amounts as required;
- (5) SERI, pursuant to the Act and 10 C.F.R. Parts 30, 40 and 70, is licensed to receive, possess and use in amounts as required any by-product, source or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components; and
- (6) SERI, pursuant to the Act and 10 C.F.R. Parts 30 and 70, is licensed to possess, but not separate, such by-product and special nuclear materials as may be produced by the operation of ANO-2.

Other conforming license changes are noted in the attachments to this Application. ² Set forth below is the information in support of the Application to Amend Facility Operating Licenses Nos. DPR-51 and NPF-6.

I. GENERAL INFORMATION CONCERNING LICENSE AMENDMENT

A. Proposed Additional Licensee: System Energy Resources, Inc.

B. Address: Post Office Box 23054
Jackson, Mississippi 39215

C. Description of Business or Occupation:

SERI is a wholly-owned subsidiary of MSU. SERI, formerly Middle South Energy, Inc. (MSE), was formed in 1974 to construct, finance and own base-load generating units for the operating subsidiaries of MSU. On July 22, 1986, the Boards of Directors of MSU and MSE took action to change the name of MSE to SERI and to authorize transferring to SERI all responsibility for the operation of GGNS, Unit 1, and construction of GGNS, Unit 2. This was accomplished on December 20, 1986, upon receipt of the necessary regulatory approvals.

To date, SERI's business has comprised owning and financing its ninety percent ownership interest in the GGNS, and operating the plant. Prior to issuance of these license amendments, SERI will take necessary corporate action to authorize it to operate Waterford 3, ANO-1 and ANO-2.

² Conforming changes, if necessary, in insurance and indemnity agreements will be made in due course by separate correspondence.

After approval of these requested amendments and a similar amendment to the Operating License for Waterford 3, SERI will be responsible for the operation and maintenance of all nuclear plants in the MSU System, including ANO-1 and ANO-2. Upon receipt of necessary regulatory approvals, SERI, as distinct from AP&L as the owner of the facilities, will have responsibility for and control over the physical construction, operation, maintenance, and licensing of the facilities.

D. Organization and Management of Operating Corporation

SERI is a corporation organized and existing under the laws of the State of Arkansas. Its principal office is located in Jackson, Mississippi. The corporation is neither owned, controlled nor dominated by an alien, a foreign corporation, nor a foreign government.

All directors and principal officers of SERI are citizens of the United States. Their names and addresses are as follows: ³

Directors

Mr. E. A. Lupberger
Chairman of the Board
System Energy Resources, Inc.
225 Baronne Street
New Orleans, Louisiana 70112

Mr. William Cavanaugh, III
President and Chief Executive Officer
System Energy Resources, Inc.
Post Office Box 23054
Jackson, Mississippi 39215

³ Additional directors and officers may be named at a later date.

Mr. D. C. Lutken
 Chairman of the Board and Chief Executive Officer
 Mississippi Power & Light Company
 P.O. Box 1640
 Jackson, Mississippi 39215-1640

Mr. J. M. Cain
 President and Chief Executive Officer
 Louisiana Power & Light Company
 New Orleans Public Services, Inc.
 Post Office Box 60340
 New Orleans, Louisiana 70160

Mr. J. L. Maulden
 President and Chief Executive Officer
 Arkansas Power & Light Company
 Post Office Box 551
 Little Rock, Arkansas 72203

Dr. Joseph M. Hendrie
 Nuclear Engineering Consultant
 50 Bellport Lane
 Bellport, New York 11713;
 Senior Scientist, Research and
 Development
 Brookhaven National Laboratory

Officers

Mr. E. A. Lupberger
 Chairman of the Board
 System Energy Resources, Inc.
 225 Baronne Street
 New Orleans, Louisiana 70112

Mr. William Cavanaugh III
 President and Chief Executive Officer
 System Energy Resources, Inc.
 Post Office Box 23054
 Jackson, Mississippi 39215

Mr. Glenn E. Harder
 Vice President - Accounting
 System Energy Resources, Inc.
 Post Office Box 23054
 Jackson, Mississippi 39215

Mr. Richard J. Landy
 Vice President - Human Resources
 and Administration
 System Energy Resources, Inc.
 Post Office Box 23054
 Jackson, Mississippi 39215

Mr. Oliver D. Kingsley, Jr.
Vice President - Nuclear Operations
System Energy Resources, Inc.
Post Office Box 23054
Jackson, Mississippi 39215

Mr. Ted H. Cloninger
Vice President - Nuclear Engineering
and Support
System Energy Resources, Inc.
Post Office Box 23054
Jackson, Mississippi 39215

Mr. Dan E. Stapp
Secretary
System Energy Resources, Inc.
Post Office Box 61005
New Orleans, Louisiana 70161

Upon issuance of these operating license amendments, certain officers of AP&L will become officers of SERI. The names of these officers will be announced following approval by the SERI Board of Directors.

E. Technical Qualifications

The technical qualifications of SERI to carry out its responsibilities under the Operating Licenses for ANO-1 and ANO-2, as amended, will meet or exceed the present technical qualifications of AP&L. AP&L will continue to act as the operator of ANO-1 and ANO-2, pending the amendment of the Operating Licenses. When the amendments become effective, SERI will assume responsibility for and control over the physical construction, operation, maintenance, and licensing of the facilities. The present ANO-1 and ANO-2 nuclear organizations will be transferred essentially intact to SERI. The technical qualifications of the proposed ANO-1 and ANO-2 organizations therefore will be at least equivalent to those of the existing organization.

The central objectives in planning the proposed consolidation of the AP&L and SERI organizations have been to minimize disruption to the operation of the plants and to respect the integrity of the existing, successful organizations. Therefore, in the proposed consolidated SERI organization, each nuclear organization for the operating plants will be preserved, with the only change that the senior nuclear executive of AP&L and LP&L will report directly to the President and Chief Executive Officer of SERI. This organization is illustrated in Attachment 3. Thus, for ANO-1 and ANO-2, T. G. Campbell, Vice President, Nuclear, will report directly to W. Cavanaugh III, President and Chief Executive Officer of SERI. The Nuclear Quality organization for the plant will also have direct access to the President and Chief Executive Officer of SERI on matters related to quality.

This approach to the consolidation accommodates the current plant-specific structure of the AP&L and SERI organizations. This allows the transfer of AP&L nuclear personnel to SERI with virtually no organizational changes or disruption. It also allows the management for each facility to retain sufficient independence to address plant-specific needs and to maintain existing priorities and ongoing plant improvement projects. Importantly, and as discussed below, there will be in the near term no organizational or physical location changes to the existing, dedicated organization, which would include the engineering, quality assurance, and licensing organizations supporting the ANO-1 and ANO-2 plants.

The significant elements and advantages to the proposed SERI organization can be summarized as follows:

- (1) The structure provides clear lines of authority and responsibility while ensuring that essential nuclear support functions are dedicated to each project and report to a single responsible project executive.
- (2) The effectiveness of project quality assurance will not be degraded.
- (3) The project structure will continue to provide the project executive the flexibility necessary for managing his resources to achieve optimal results. Ongoing plant improvement plans will not be impacted.
- (4) The project structure provides the flexibility necessary to adapt to different procedures and methods used at each plant. This is particularly important initially since most project nuclear activities will be transferred essentially "as is" to SERI.
- (5) The effectiveness of a dedicated nuclear support organization is enhanced by identity with and sharing of the SERI goals and objectives.

The consolidation of the SERI, LP&L, and AP&L nuclear organizations will be a long-term, evolutionary process. For the time being, and for the purposes of the present application, only certain non-nuclear support functions, such as accounting and human resources, may be combined, if it appears beneficial and appropriate to do so. The licensees will continue to study possible organizational and programmatic changes to enhance objectives and to realize

further benefits from the establishment of SERI as the single company responsible for all nuclear operations in the MSU System. Such changes will only be implemented after careful consideration. SERI will inform NRC in advance of planned organizational changes that involve major restructuring of line or nuclear support functions at its nuclear facilities and that are important to plant safety. This commitment shall remain in effect until the NRC and SERI mutually agree that it is no longer required.

F. Statement of Purposes for the License Amendments

The assumption of operational responsibility for ANO-1 and ANO-2 by SERI (along with responsibility for Waterford 3 and GGNS, Unit 1) will provide benefits inherent to an integrated nuclear operating company. Some of the expected benefits are as follows:

- (1) SERI, as an operating company for multiple reactors, will have a repository of system nuclear operating expertise and experience. Presently, there is a wealth of nuclear operations talent spread throughout the MSU system. Consolidation of this talent into one company should have a synergistic effect. The change will enhance the already high level of public safety and cost-effective plant operation.
- (2) Consolidation of talent not only will result in a merger of expertise and experience for system-wide nuclear operational support, but it also permit the specialization of expertise in certain areas that might not otherwise be developed if each of the companies continued to operate their separate facilities.

- (3) SERI will be better able to provide a consistent vision for the philosophy of operation of the system nuclear units. A single company responsible for all nuclear operations in the MSU system will allow development of a consistent philosophy which will be specifically designed for nuclear plant operations. This focused philosophy can be used to maintain excellence in all aspects of nuclear operation.
- (4) As a result of the consolidation, there will be more effective communication and use of system nuclear operating experience. For example, the system-wide nuclear operating company will allow "lessons learned" to be shared promptly, efficiently, and consistently among the units.
- (5) Certain non-nuclear support functions will become specialized and focused on the requirements of all of the system's nuclear units and will thereby be more effective.
- (6) Bringing all of the MSU nuclear units under the management of one company will provide a broader base and more competitive environment for upper management candidates who are specialized in nuclear power generation. Further, SERI, in its new role, should provide an environment in which all employees continue to be motivated toward high performance. SERI, with its expanded responsibilities, will also provide greater opportunity for career progression and thus greater opportunity to retain valued employees.

(7) More specifically, as a result of this consolidation, salary structures, career path policies and procedures will be internally consistent. Since all of SERI's employees will be "nuclear employees", there will no longer exist any distinction in these areas between employees who support nuclear operations and those who do not. This will permit nuclear managers to focus entirely upon the special needs, qualifications, and requirements of nuclear employees. Human resource and compensation policies tailored to nuclear operations will allow SERI to be competitive in the market for skilled nuclear professionals without directly influencing, or being bound by, personnel policies and procedures governing non-nuclear related personnel. The ability to attract superior nuclear talent and retain quality individuals once recruited will have a direct and positive impact on the quality of nuclear operations.

G. Financial Considerations

As is discussed below, SERI is an "electric utility" as that term is defined by 10 C.F.R. § 50.2. Therefore, under 10 C.F.R. § 50.33(f), a full financial qualifications review of this application to amend the licenses is not necessary. By way of demonstrating that SERI is an "electric utility" and apprising the NRC of the relationships that will exist between SERI and AP&L (the facility owner), the following brief discussion is provided.

The following interrelations will be established by an operating agreement between AP&L and SERI:

1. SERI will not have any ownership interest in the ANO plants or facilities; however, it will have overall responsibility for plant operations. SERI will operate ANO-1 and ANO-2 in accordance with the Operating Licenses and shall have exclusive responsibility for making safety decisions.
2. AP&L will retain certain controls over ultimate spending limits, such as the authority to direct that ANO-1 or ANO-2 be shut down in an orderly fashion by SERI (and in accordance with SERI's safety judgment). This retained authority will limit SERI's spending authority, but will not encumber SERI's ability to make operational safety decisions and will have no impact on safe operation of ANO-1 or ANO-2.
3. All costs for the operation, construction, maintenance, repair, decontamination and decommissioning of ANO-1 and ANO-2 incurred or accrued will be the responsibility of AP&L when incurred or accrued.

Section 50.2 of 10 C.F.R. defines an "electric utility" as:

. . . any entity that generates or distributes electricity and which recovers the cost of this electricity, either directly or indirectly, through rates established by the entity itself or by a separate regulatory authority. Investor-owned utilities, including generation and distribution subsidiaries, public utility districts,

municipalities, rural electric cooperatives, and State and Federal agencies, including associations of any of the foregoing, are included within the meaning of electric utility.

SERI is a generating subsidiary of MSU. SERI operates GGNS, Unit 1, and sells power at wholesale to operating companies in the Middle South System pursuant to rates established by the Federal Energy Regulatory Commission. Upon receiving necessary regulatory approvals, it will also operate, for the benefit of their owners, Wataford 3, ANO-1 and ANO-2 for the generation of electricity. SERI's costs of operation for ANO-1 and ANO-2 will be recovered from AP&L who in turn recovers such costs through retail rates established by state regulatory authorities, and through wholesale rates established by the Federal Energy Regulatory Commission. Hence, SERI is an "electric utility" as defined in 10 C.F.R. § 50.2.

AP&L is subject to the rate jurisdiction of the Arkansas and Missouri public service commissions, and the Federal Energy Regulatory Commission. Therefore, AP&L also remains an "electric utility" and is committed to provide all funds necessary to continue safe operation of ANO-1 and ANO-2, to shut down ANO-1 and ANO-2 permanently, if necessary, and to maintain the units in a safe condition, all in conformance with NRC regulations. AP&L and its sources of funds will remain the same as under the present licenses. The operating agreement terms regarding costs, discussed above, give SERI the same financial qualifications as the present licensee, AP&L.

H. Antitrust Considerations

MSU's plan for SERI to operate and manage ANO-1 and ANO-2 will not impact the existing ownership of the units or existing entitlements to power. These proposed license amendments do not require antitrust review pursuant to Section 105 of the Atomic Energy Act and 10 C.F.R. § 2.101(e).

I. Restricted Data

This Application does not contain any Restricted Data or other defense information, and it is not expected that any such information will become involved in the licensed activities. However, in the event that such information does become involved, SERI agrees that it will appropriately safeguard such information and it will not permit any individual to have access to Restricted Data until the Office of Personnel Management shall have made an investigation and report to the NRC on the character, associations and loyalty of such individual, and the NRC shall have determined that permitting such person to have access to Restricted Data will not endanger the common defense and security.

II. SPECIFIC INFORMATION REGARDING RELATED ISSUES

A. Emergency Planning

Upon approval of the license amendments to authorize operation of ANO-1 and ANO-2 by SERI, SERI will assume authority and responsibility for functions necessary to fulfill the emergency planning requirements specified in 10 C.F.R. § 50.47(b) and Part 50, Appendix E. No changes will be made to the on-site

aspects of the existing emergency plans for ANO-1 and ANO-2. In addition, there will be no changes to the existing Emergency Planning Organization. SERI will add organizational components to reflect its assumption of responsibility for emergency planning. Transition plans will be established to ensure that the support described in the existing emergency plans will be maintained throughout the transition and as needed following the transition.

Appropriate action will be taken as necessary with respect to existing agreements for support from organizations and agencies not affiliated with the licensees to reflect SERI's agency relationship with the owner and SERI's responsibility for management and operation of ANO-1 and ANO-2. This will be accomplished as necessary by AP&L prior to the transfer of responsibility.

Following the transfer of operating responsibility to SERI, emergency planning support will be provided by AP&L as needed. In essence, to the extent that personnel, resources, and facilities are not being transferred to SERI, AP&L will continue to fulfill selected emergency planning functions. These functions have been thoroughly reviewed and the required support will be assured by an agreement between SERI and AP&L. Long-term utilization of AP&L resources in these areas will be based on cost-effectiveness and existing relationships with offsite organizations and agencies.

In sum, the proposed license amendments will not impact compliance with the emergency planning requirements. Because the effectiveness of the emergency plan will not be decreased, specific emergency plan and procedure changes will be submitted to the NRC within 30 days after the changes are made, pursuant to 10 C.F.R. § 50.54(q) and Appendix E, Section V.

B. General Design Criterion 17

The amendments to authorize assumption of operating responsibility by SERI involve no changes in the ownership or design of the offsite power systems for ANO-1 and ANO-2, or in their operation, maintenance or testing. Upon approval of the amendments, AP&L will continue to fulfill its current responsibilities with respect to compliance with General Design Criterion (GDC) 17.

GDC 17 specifically requires that there be an assured source of offsite power to the plants. Pursuant to this requirement, SERI and AP&L will maintain and implement procedures and agreements specifying: (1) the arrangements for provision of a continued source of offsite power and (2) the arrangements for controlling operation, maintenance, repair, and other activities with respect to the transmission lines and the switchyard, such that adequate independent sources of offsite power will continue to be provided.

In essence, the written procedures and agreements will provide for the future interface between SERI and AP&L. First, AP&L has committed to providing offsite power to the units. Second, the procedures and agreements will provide for the continuation of current arrangements for the operation and maintenance of the switchyard and associated transmission facilities. The procedures and agreements will also specify that AP&L will obtain concurrence from SERI prior to implementing any changes in this equipment.

C. Exclusion Area

Upon approval of the amendments providing for assumption of operating responsibility by SERI, SERI will have authority to determine all activities

within the ANO-1 and ANO-2 exclusion areas, to the extent required by 10 C.F.R. Part 100.

As stated in Chapters 2.2.2 and 2.1.2.1 of the Safety Analysis Reports (SARs) for ANO-1 and ANO-2 respectively, AP&L controls all surface rights within the exclusion area boundary of the units. With respect to certain property owned by the United States Government, AP&L controls the area under an easement. Under the operating agreement to be entered into between SERI and AP&L, AP&L will agree to provide SERI with unrestricted access to the property constituting the ANO site, including the facilities, equipment, switchyard, and personal property located on the site. Also, SERI will have authority to exercise complete control over the exclusion areas as designated in the SARs for the plants, and to determine all activities within those areas (including all areas of the site and the switchyard). This authority will allow SERI to control ingress and egress and to order an evacuation if necessary. To the extent practicable, SERI will, of course, exercise this control in such a fashion that AP&L's access to the switchyard and transmission facilities for proper operation and maintenance of the electric systems on the ANO site will not be unduly restricted.

As stated in the SARs, certain activities unrelated to plant operation (e.g., use of roads) will occur in the exclusion area. There will be no change from the existing situation. SERI will assume responsibility for the emergency plans as discussed above.

D. Security

The proposed license amendments will not impact compliance with the physical security requirements of 10 C.F.R. Part 73. Upon assumption of operating responsibility, SERI will assume ultimate responsibility for implementation of all aspects of the present security program. Appropriate action will be taken as necessary with respect to existing agreements for support from outside organizations and agencies to reflect SERI's agency relationship with the owner and SERI's responsibility for management and operation of ANO-1 and ANO-2. Changes to the plans to reflect this transition will not decrease the effectiveness of the plans and will be submitted to the NRC within 30 days after the changes are made, in accordance with 10 C.F.R. § 50.54(p).

E. Quality Assurance

The proposed license amendments will not impact compliance with the quality assurance requirements of 10 C.F.R. 50, Appendix B, nor will they reduce the commitments in the NRC-accepted quality assurance program descriptions for ANO-1 and ANO-2. Upon assumption of operating responsibility, SERI will assume the ultimate responsibility for present functions associated with the ANO-1 and ANO-2 quality assurance programs. The organization, function and structure of the nuclear quality organization will not be affected by these license amendments. Changes to reflect this transition, which will be handled in accordance with 10 C.F.R. 50.54(a), will not reduce the commitments in the quality assurance program descriptions.

F. Safety Analysis Reports

With the exception of areas discussed in this license amendment application, the proposed license amendments will not change or invalidate information presently appearing in the ANO SARs. Changes necessary to accommodate the proposed license amendments will be incorporated into the ANO-1 and ANO-2 SARs following NRC approval of the license amendment application in accordance with 10 C.F.R. 50.71(e).

G. Training

The proposed license amendments will not impact compliance with the operator requalification program requirements of 10 C.F.R. 50.54 and related sections, nor maintenance of the Institute of Nuclear Power Operations accreditation for licensed and non-licensed training. Upon assumption of operating responsibility for ANO-1 and ANO-2, SERI will assume ultimate responsibility for implementation of present training programs. Changes to the programs to reflect this transition will not decrease the scope of the approved operator requalification program without the specific authorization of the NRC in accordance with 10 C.F.R. 50.54(i).

H. Engineering Support

Currently the engineering support for ANO-1 and ANO-2 is provided by a dedicated engineering organization that is an integral part of the nuclear organization. Because the existing nuclear organization at AP&L will transfer

virtually intact to SERI upon approval of these license amendments, there will be essentially no change in the engineering support provided and no change in the interface between the organizations responsible for engineering support, and maintenance and operations for each plant. Thus there will be no degradation of the engineering support function and its integration with maintenance and operations. After issuance of the license amendments, as evolutionary changes are made to consolidate organizations within SERI, we will ensure the continued integration of the engineering support function with the maintenance and operation function.

III. NO SIGNIFICANT HAZARDS CONSIDERATION EVALUATION

PURSUANT TO 10 C.F.R. 50.92

A. Proposed Change

The proposed amendments would revise Facility Operating License No. DPR-51 and Facility Operating License No. NPF-6 for ANO-1 and ANO-2, respectively, to authorize SERI to act on behalf of AP&L, with responsibility for and control over the physical construction, operation, and maintenance of the facilities.

B. Background

SERI is a wholly-owned subsidiary of MSU. It is presently licensed to operate the GGNS, Unit 1, and to construct GGNS, Unit 2. Under the proposed amendments, SERI would assume all responsibilities for operating ANO-1 and ANO-2. Under the current operating licenses, these responsibilities are now

held by AP&L, which also is a wholly-owned subsidiary of MSU. This application is being filed simultaneously with a similar application by LP&L to transfer to SERI operational responsibility for Waterford 3.

Under the terms of the proposed amendments, the operating licenses for ANO-1 and ANO-2 would recognize SERI as the legal entity which will provide the technical and managerial resources for the continued safe operation of the facilities, and as the entity with exclusive authority to make operational safety decisions. The proposed license amendments involve no change in the ownership of the facilities and no physical changes to the plants.

All of the current license conditions will remain in effect and the Limiting Conditions for Operation, Limiting Safety System Settings, and Safety Limits specified in the Technical Specifications will remain unchanged. While the emergency plan, security plan, and plant operating and emergency procedures will require administrative changes to reflect SERI's role as agent for the owner and operator of the units, no changes will be made that decrease the effectiveness of these plans and procedures. Similarly, while the Quality Assurance Program may require administrative changes to reflect the role of SERI, no changes will be made that reduce the commitments in that Program. A transition plan will ensure an orderly transfer of existing emergency preparedness responsibilities to SERI. Written procedures and agreements maintained and implemented by SERI and AP&L will clearly ensure continued compliance with GDC 17. Similarly, an operating agreement will ensure that SERI has authority to determine all activities within the exclusion area.

The technical qualifications of SERI to carry out its responsibilities under the Operating Licenses, as amended, will meet or exceed the present technical qualifications of AP&L. AP&L will continue to act as the operator of ANO-1 and ANO-2, pending amendment of the Operating Licenses. When the amendments become effective, SERI will assume responsibility for, and control over, the physical construction, operation, and maintenance of the facilities. The present ANO-1 and ANO-2 nuclear organizations will be transferred essentially intact to SERI. The technical qualifications of the SERI ANO-1 and ANO-2 organizations therefore will be at least equivalent to those of the existing organization.

The assumption of operational responsibility for ANO-1 and ANO-2 by SERI (along with responsibility for Waterford 3 and GGNS, Unit 1) will provide benefits inherent to an integrated nuclear operating company. Some of the expected benefits are as follows:

- (1) SERI, as an operating company for multiple reactors, will have a repository of system nuclear operating expertise and experience. Presently, there is a wealth of nuclear operations talent spread throughout the MSU system. Consolidation of this talent into one company should have a synergistic effect. The change will enhance the already high level of public safety and cost-effective plant operation.
- (2) Consolidation of talent not only will result in a merger of expertise and experience for system-wide nuclear operational support, but also will permit the specialization of expertise in certain areas that might not otherwise be developed if each of the companies continued to operate their separate facilities.

- (3) SERI will be better able to provide a consistent vision for the philosophy of operation of the system nuclear units. A single company responsible for all nuclear operations in the MSU system will allow development of a consistent philosophy which will be specifically designed for nuclear plant operations. This focused philosophy can be used to achieve excellence in all aspects of nuclear operation.
- (4) As a result of the consolidation, there will be more effective communication and use of system nuclear operating experience. For example, the system-wide nuclear operating company will allow "lessons learned" to be shared promptly, efficiently, and consistently among the units.
- (5) Certain non-nuclear support functions will become specialized and focused on the requirements of all of the system's nuclear units and will thereby be more effective.
- (6) Bringing all of the MSU nuclear units under the management of one company will provide a broader base and more competitive environment for upper management candidates who are specialized in nuclear power generation. Further, SERI, in its new role, should provide an environment in which all employees continue to be motivated toward high performance. SERI, with its expanded responsibilities, will also provide greater opportunity for career progression and thus greater opportunity to retain valued employees.

- (7) More specifically, as a result of consolidation, salary structures, career path policies and procedures will be internally consistent. Since all of SERI's employees will be "nuclear employees", there will no longer exist any distinction in these areas between employees who support nuclear operations and those who do not. This will permit nuclear managers to focus entirely upon the special needs, qualifications, and requirements of nuclear employees. Human resource and compensation policies tailored to nuclear operations will allow SERI to be competitive in the market for skilled nuclear professionals without directly influencing, or being bound by, personnel policies and procedures governing non-nuclear related personnel. The ability to attract superior nuclear talent and retain quality individuals once recruited will have a direct and positive impact on the quality of ANO operations.

C. Analysis

The following discussion provides a specific analysis of the proposed change against the three standards delineated in 10 C.F.R. § 50.92 and demonstrates that the proposed change involves no significant hazards consideration:

1. The proposed change will not increase the probability or consequences of an accident previously evaluated. The technical qualifications of SERI will be at least equivalent to those of AP&L presently. Personnel qualifications will remain the same as those discussed in the Technical Specifications and the SARs for ANO-1 and ANO-2.

SERI presently owns and operates GGNS, Unit 1. The employees of LP&L and AP&L presently engaged in the operation of Waterford 3, ANO-1 and ANO-2 will become employees of SERI. The organizational structure of SERI will provide for clear management control and effective lines of authority and communication among the organizational units involved in the management, operation, and technical support of the facilities.

As a result of the proposed amendments, there will not be physical changes to the facilities, and all Limiting Conditions for Operation, Limiting Safety System Settings, and Safety Limits specified in the Technical Specifications will remain unchanged. With the exception of administrative changes to reflect the role of SERI, the quality assurance programs, the emergency plans, security plans and training programs are unaffected. Operating agreements will ensure continued compliance with GDC 17 as well as SERI control over activities within the exclusion areas.

Therefore, the proposed changes will not increase the probability or consequences of an accident previously evaluated.

2. The proposed amendments will not create the possibility of a new or different kind of accident from any accident previously evaluated. The design and design bases of ANO-1 and ANO-2 remain the same. Therefore, the current plant safety analyses remain complete and accurate in addressing the licensing basis events and analyzing plant response and consequences.

The Limiting Conditions for Operation, Limiting Safety System Settings and Safety Limits are not affected by the proposed amendments. With the exception of administrative changes to reflect the role of SERI, plant operating and emergency procedures are unaffected. As such, the plant conditions for which the design basis accident analyses have been performed are still valid. Therefore, the proposed amendments cannot create the possibility of a new or different kind of accident than previously evaluated.

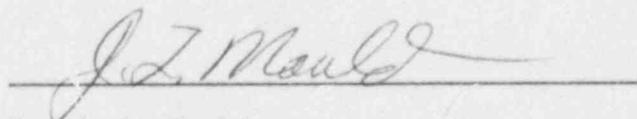
3. The proposed amendments will not involve a reduction in a margin of safety. Plant safety margins are established through Limiting Conditions for Operation, Limiting Safety System Settings and Safety Limits specified in the Technical Specifications. Since there will be no change to the physical design or operation of the plants, there will be no change to any of these margins. The proposed amendments therefore will not involve a reduction in a margin of safety.

D. Conclusion

Based upon the analysis provided herein, the proposed amendments will not increase the probability or consequences of an accident previously evaluated, create the possibility of a new or different kind of accident from any accident previously evaluated, or involve a reduction in a margin of safety. Therefore, the proposed amendments meet the requirements of 10 C.F.R. 50.92(c) and do not involve a significant hazards consideration.

ENDORSEMENT AND CONSENT

AP&L, presently the sole licensee, hereby endorses and consents to this application filed under oath or affirmation by T. G. Campbell, Vice President, Nuclear, of AP&L, and the proposed assumption of operating and licensing responsibilities for ANO-1 and ANO-2 by SERI as described above.

A handwritten signature in cursive script, reading "J. L. Maulden", is written over a horizontal line.

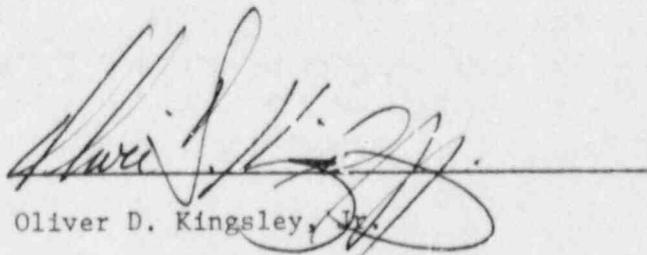
Mr. J. L. Maulden

President and Chief Executive Officer

Arkansas Power & Light Company

ACCEPTANCE

SERI hereby consents to this application filed under oath or affirmation by T. G. Campbell, Vice President, Nuclear, of AP&L, and accepts the proposed assumption of operating and licensing responsibilities for ANO-1 and ANO-2 by SERI as described above. Upon approval and effectiveness of the proposed amendments, SERI agrees to be bound by all applicable NRC regulations, applicable license conditions (as identified in the amended license), technical specifications, and prior licensee commitments.

A handwritten signature in black ink, appearing to read "Oliver D. Kingsley, Jr.", is written over a horizontal line. The signature is stylized and cursive.

Oliver D. Kingsley, Jr.

Vice President, Nuclear Operations

System Energy Resources, Inc.